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SUBJECT: EGYPT'S ECONOMY: WEEKLY PRESS ROUND-UP

REF: CAIRO 209

¶1. (U) The following is a summary of notable economic news stories that appeared over the past week in the Egyptian press:

#### Export Promotion -----

¶2. (U) Minister of Trade and Industry Rashid announced the Export Development Bank of Egypt would spend an additional LE 2.1 billion (\$380 million) to promote exports. Under the ministry's plan, five new export sectors will benefit from the additional funds. (Al Masry Al Youm, March 14)

#### Agriculture -----

¶3. (U) According to the head of the Principal Bank for Development and Agricultural Credit (PBDAC), the bank is implementing the presidential decree forgiving 50% of the debt of 130,000 small farmers. The program will be supported by a government capital injection into the bank of LE 850 million (\$152 million). (Al Masry Al Youm, March 13).

¶4. (U) PBDAC is also considering setting up a new company, with 10% PBDAC ownership, to supply agricultural products (fertilizer and machinery) to farmers. The goal would be to separate PBDAC's banking and non-banking services. (Al Mal, March 16)

¶5. (U) The Ministry of Agriculture has allocated 200,000 acres for industrial agricultural investment, including 60,000 acres in Minya and 140,000 acres in Sinai and Tushka. On March 18, Minister of Agriculture Abaza said further discussions with the governor were required. Land in Sinai and Tushka will be available once the Ministry of Irrigation and Water Resources supplies these areas with water. (Al Masry Al Youm, March 19)

#### Exchange Rate -----

¶6. (U) The value of the Egyptian pound continues to slide, reaching a low of 5.72 Egyptian pounds per US dollar, the lowest point since July 2007. Some Egyptian bankers have attributed the currency's weakness to increased demand for foreign currency, while exchange bureaus indicated that holders of foreign currencies are postponing sales in anticipation of further weakening of the pound. (Beltone, March 16).

¶7. (U) On March 15, the Central Bank of Egypt (CBE) intervened to slow the weakening of the Egyptian pound against the dollar, bringing the exchange rate back up by 6 piasters to LE 5.64/US\$1.00. According to the press, the intervention was intended to undermine speculative activity. The exact extent of the intervention has not been made public, though most recent press and analyst reporting suggests that the intervention was no more than US\$100 million rather than the US\$1 billion intervention originally reported. (Beltone, March 16 and March 22).

#### Water Resources -----

¶8. (U) Disputes between farmers and the new Minister of Irrigation and Water Resources, Dr. Mohamed Nasr-Eldin Allam, intensified in response to reports that Allam planned to alter the pricing structure for irrigation water. Over 500 farmers' associations requested a meeting with the minister to discuss his intentions to charge farmers by consumption brackets for their use of irrigation water. The minister had reportedly submitted a study to Prime Minister Nazif explaining his economic program of managing irrigation water, reducing consumption, and expanding the cultivated land area. Reports by the Water Research Institute indicate Egypt is suffering from a shortage in water, leading the government to allocate EGP10 billion (\$1.8 billion) to implement water and wastewater programs to rationalize use of water through 2017 (Al Wafd, March 16).

#### Oil Discoveries -----

¶9. (U) On March 15, resident Mubarak visited one of the newly discovered oil fields in the Western Desert at a site operated by Badr El-Din Petroleum Co. (Bapetco). The new field is expected to produce 25,000 BPD and 30 million cubic meter of natural gas. During the visit, Petroleum Minister Fahmi indicated that Egypt's total production of crude oil, condensates and natural gas has increased to 1.8 million equivalent barrels per day in 2008/2009 (Al Ahram, Al khbar and Al Masry Al Youm, March 15).

#### Suez Canal -----

¶10. (U) The Suez Canal Authority (CA) indicated on March 17 that it will complete its expansion to a depth of 66 feet by the end of 2009, to enable it to accommodate 64 percent of the world's oil tanker fleet and about 99 percent of container carrying vessels (Al

Ahram).

#### Electricity

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¶11. (U) On Sunday March 15, Prime Minister Nazif witnessed the signing of a new agreement with the World Bank and the African Development bank for a \$1.05 billion loan for the establishment of a new 1,300-megawatt electrical power plant at El Ain El Sokhna on the Gulf of Suez. The total cost for the project is about \$2.2 billion of which \$1.5 million will be paid for in dollars and the remaining \$700 million in Egyptian currency (Al Ahram, March 15).

#### Science and Salaries

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¶12. (U) Researchers and professors at more than 2000 government research centers and institutes continued their protest against the government and Minister of Higher Education and Scientific Research, Dr. Hany Hilal, because they did not receive the same salary increases received by their counterparts in government universities. (AMAY).

#### Telecom

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¶13. (U) Telecom Egypt, the country's monopoly fixed line operator, indicated that its fourth quarter net profit plunged 27.7% to LE601 million (US\$107.3 million) from LE 831 million (US\$148.4 million) in the same period of 2007. Earnings per share fell 45% to LE 0.21 (US\$0.0375) from LE 0.37 (US\$0.067) in the fourth quarter of 2007. The company's net additions of fixed-line subscribers during the fourth quarter reached 377,000, bringing the number of total subscribers to 11.7 million. Income from Telecom Egypt's investment in Vodafone Egypt, of which it holds a 45% stake, reached LE 1.4 billion (US\$250 million) in 2008 up from LE 1.2 billion (US\$214 million) in 2007 (Dow Jones Newswires).  
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